

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 SP-02 NSC-05 CIAE-00 INR-07
NSAE-00 EB-08 PRS-01 OMB-01 TRSE-00 OES-07 L-03
DLOS-09 COME-00 H-01 FRB-03 IO-13 VO-05 CA-01
/096 W

-----130747 121927Z /44

P 112153Z JAN 78
FM USINT HAVANA
TO SECSTATE WASHDC PRIORITY 919

C O N F I D E N T I A L HAVANA 00079

EO 11652: GDS
TAGS: EFIN ECON CU US
SUBJECT: VISIT OF NATIONAL BANK OF CUBA VICE-PRESIDENT

REF: HAVANA 32 AND 60

1. USINT OFFICER, JANUARY 9, CALLED ON RAUL AMADO-BLANCO, VICE-PRESIDENT OF NATIONAL BANK OF CUBA, TO DISCUSS HIS UPCOMING VISIT TO US (REFTELS). AMADO-BLANCO WAS ACCOMPANIED BY JOSE FRANCO CORTES, SECRETARY OF BANK, AND RAFAEL HERNANDEZ, SUB-DIRECTOR OF BANK. THIS MESSAGE OUTLINES OBJECTIVES OF TRIP AND PROBLEMS TO BE DISCUSSED.

2. AMADO-BLANCO SAID THAT PURPOSE OF HIS TRIP TO US IS TWO-FOLD
(A) TO CONSULT WITH US AND FOREIGN BRANCH BANKS TO GET MORE PRECISE UNDERSTANDING OF US BANKING OPERATIONS AND PRACTICE, AND
(B) TO EXPLORE LIMITS OF EMBARGO REGULATIONS AS THEY APPLY TO CUBAN BANKING OPERATIONS IN US.

3. ON FIRST ISSUE, AMADO-BLANCO PLANS TO CALL ON TWENTY-SIX DOMESTIC AND FOREIGN BRANCH BANKS DURING TEN WORKING DAY STAY IN NEW YORK - BOTH TO GET IDEA OF HOW US AND FOREIGN BRANCH BANKS OPERATE AND TO CONSIDER POSSIBLE FUTURE ESTABLISHMENT OF CORRESPONDENT AND OTHER BANKING RELATIONSHIPS, WHEN AND IF EMBARGO REGULATIONS PERMIT.
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TIONS PERMIT. (COMMENT: THERE WAS ALSO IMPLICATION THAT BANCO NACIONAL MAY BE CONSIDERING FUTURE, POST-EMBARGO ESTABLISHMENT OF ITS OWN BANKING FACILITY IN NEW YORK - PERHAPS ON MODEL OF HAVANA INTERNATIONAL BANK IN LONDON.)

4. AMADO-BLANCO ALSO SAID THAT HE WOULD VISIT WASHINGTON FOR THREE OR FOUR WORKING DAYS TO TALK WITH UNION FIRST NATIONAL BANK (WHICH

IS HANDLING CUBAN INTERESTS SECTION ACCOUNTS - SEE BELOW) AND TO CONSULT WITH WAYNE SMITH AND DANE BOWEN (ARA/CCA) AND STANLEY SOMMERFIELD (ADMINISTRATOR OF CUBAN ASSETS CONTROL REGULATIONS, DEPARTMENT OF TREASURY) ON EMBARGO REGULATIONS APPLYING TO CURRENT CUBAN ACCOUNTS. POLICY ISSUES THAT WILL BE RAISED ARE AS FOLLOWS:

5. CUBAN INTERESTS SECTION (CUBAINT) ACCOUNTS. CUBANS CURRENTLY HAVE THREE ACCOUNTS AT UNION FIRST NATIONAL BANK IN WASHINGTON - ONE ACCOUNT FOR FINANCING CUBAINT OPERATIONS, ANOTHER ACCOUNT FOR HANDLING RECEIPTS FROM CUBAINT CONSULAR OPERATIONS, AND A THIRD ACCOUNT FOR NEGOTIATING MONEY DERIVED FROM USINT OPERATIONS IN HAVANA. UNDER TERMS OF CURRENT LICENSES, AMADO-BLANCO ASSERTED, CUBANS CAN ONLY TRANSFER FUNDS FREELY INTO, AND OUT OF, US THROUGH THE USINT ACCOUNT. CONSULAR ACCOUNT LICENSE IS APPARENTLY MAJOR RUB SINCE, ACCORDING TO AMADO-BLANCO, LICENSE PURPORTEDLY SPECIFIES THAT CONSULAR OPERATIONS MUST BE SELF-FINANCING AND THAT ONLY THE DIFFERENCE BETWEEN CONSULAR RECEIPTS AND EXPENSES CAN BE TRANSFERRED OUT OF US. AMADO-BLANCO CLAIMS THIS IS A PROBLEM BECAUSE OF MINISTRY OF FOREIGN RELATIONS (MINREX) PRACTICE OF ANNUALLY APPROPRIATING (AND TRANSFERRING ABROAD) FIXED SUM OF FUNDS FOR CONSULAR OPERATIONS (PAID OUT ON MONTHLY BASIS) AND THEN SUBSEQUENTLY REPATRIATING FULL RECEIPTS AND UNEXPENDED FUNDS FROM THESE OPERATIONS. (COMMENT: AMADO-BLANCO PORTRAYED CONSULAR ACCOUNT PROBLEM AS BOTHERSOME ANOMALY IN MINREX CONSULAR ACCOUNTING SYSTEM. PRESUMABLY, CUBANS COULD BE ACCOMMODATED, WHILE PRECLUDING UTILIZATION OF CONSULAR ACCOUNT FOR COMMERCIAL OR OTHER IMPROPER PURPOSES, BY ALLOWING CONFIDENTIAL

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FUND TRANSFERS BOTH INTO AND OUT OF US - BUT ONLY IN AMOUNT UNDER FIXED MONTHLY CEILING.)

6. FISHING ACCOUNT. AMADO-BLANCO SAID THAT CUBANS HAVE BEEN AUTHORIZED, IN PRINCIPLE, BY TREASURY TO ESTABLISH FISHING ACCOUNT IN NEW YORK. CUBANS NOW WISH TO SEEK SPECIFIC LANGUAGE ON BANK ACCOUNT LICENSE THAT WILL PERMIT NECESSARY FLEXIBILITY IN ITS USAGE. AMADO-BLANCO POINTED OUT THAT, UNDER TERMS OF US-CUBAN FISHING AGREEMENT, CUBANS HAVE RIGHT TO PURCHASE FUEL, FISHERMEN'S CLOTHES, AND VARIOUS TYPES OF FISHING EQUIPMENT, AS WELL AS TO OBTAIN REPAIRS, MEDICAL ASSISTANCE AND TO PAY AGENT AND PORT FEES. CUBANS WISH TO ASSURE THAT ALL TRANSACTIONS OF THIS TYPE ARE ALLOWED UNDER TERMS OF LICENSE. (COMMENT: USINT BELIEVES, AS GENERAL PRINCIPLE, THAT APPROPRIATE FINANCING MECHANISMS SHOULD BE ALLOWED FOR ANY ACTIVITY PERMITTED UNDER EMBARGO REGULATIONS. IF IT APPEARS NECESSARY TO LIMIT POSSIBILITY OF IMPROPER USE, APPROPRIATE CONTROL CAN PROBABLY BE MAINTAINED BY REQUIRING SPECIAL PERMISSION FOR TRANSFERS OR INCREASE OF BALANCE ABOVE SPECIFIC SUM.)

7. TOURISM EXPENDITURES. AMADO-BLANCO SAID CUBANS ARE CURRENTLY NEGOTIATING US DOLLAR PROCEEDS FROM US TOURISM, CHARTER FLIGHTS, AND CRUISE SHIP VISITS THROUGH CANADIAN BANKS. THEY WILL ALSO SOON

BEGIN TO HANDLE AMEXCO CREDIT CARDS (THROUGH CANADIAN AFFILIATE) IN SAME FASHION. CUBANS OBJECT TO THIS APPROACH BECAUSE IT FORCES THEM TO PAY COMMISSION CHARGES ON CONVERSIONS INTO CANADIAN DOLLARS, IS INCONVENIENT, AND MAKES REQUIRED US DOLLAR PAYMENTS (FOR FUEL, SERVICING, AIRPORT FEES) FOR CUBANA DE AVIACION CHARGER FLIGHTS TO US DIFFICULT. AMADO-BLANCO SAID CUBANS WOULD LIKE TO HAVE US PERMISSION TO OPEN ACCOUNT TO HANDLE US DOLLAR INCOME AND EXPENDITURES PERTAINING TO TOURISM. (COMMENT: THIS SUBJECT WAS ALSO RAISED BY BANK PRESIDENT RAUL LEON TORRAS WITH CODEL REUSS. CHAIRMAN REUSS INDICATED THAT HE SUPPORTED OPENING OF TOURISM-RELATED ACCOUNT, AS DO WE. CONTROL ON ACCOUNT COULD BE MAINTAINED BY MECHANISM SUGGESTED IN PARA. 6.)

8. INTEREST PAYMENTS. CUBANS NOW RECEIVE NO INTEREST ON THEIR THREE
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CURRENT US BANKING ACCOUNTS. (FYI CUBAN MISSION TO UN MAINTAINS ACCOUNT IN CANADA, BUT USES US BRANCH BANK IN UN BUILDING FOR CURRENT US DOLLAR TRANSACTIONS END FYI.) AMADO-BLANCO SAID THAT SOME OF CUBAN CURRENT LICENSES SPECIFY THAT HAVANA CAN REPATRIATE "PROCEEDS" OF ACCOUNTS. AMADO-BLANCO WISHES TO CLARIFY WHETHER "PROCEEDS" COULD INCLUDE INTEREST PAYMENTS. (COMMENT: INTEREST PAYMENTS WOULD APPEAR TO BE PRECLUDED UNDER CURRENT EMBARGO REGULATIONS - SINCE SUCH PAYMENTS WOULD REPRESENT COMMERCIAL GAIN FROM ACTIVITY - BANKING - THAT IS PERMITTED ONLY IN SPECIAL CASES. WE BELIEVE THAT AUTHORIZATION OF BROADENED BANKING AUTHORITY AND INTEREST PAYMENTS MIGHT BE USEFUL GESTURE TOWARD CUBANS, BUT SHOULD BE CONSIDERED AS PART OF CALCULATED STRATEGY TO OBTAIN COMMENSURATE CONCESSIONS FROM CUBANS. USINT CHIEF WILL DISCUSS THIS MATTER IN WASHINGTON DURING JANUARY 20-27 CONSULTATIONS.)

9. FAMILY REMITTANCES AND MEDICINE PURCHASE. AMADO-BLANCO SAID HE WOULD SEEK TO FIND OUT WHETHER SOON-TO-BE INITIATED FAMILY REMITTANCES FROM US WOULD BE MADE IN US DOLLARS AND, IF SO, WHETHER NATIONAL BANK OF CUBA COULD BE PERMITTED US ACCOUNT TO NEGOTIATE THESE SUMS. HE ALSO WISHES TO FIND OUT WHAT FINANCIAL ARRANGEMENTS FOR US-PERMITTED LIMITED MEDICINE SALE WILL BE ALLOWED. (COMMENT: GRANTING OF PERMISSION FOR US ACCOUNT FOR FAMILY REMITTANCE FUNDS SHOULD PRESUMABLY BE USED AS BARGAINING CHIP TO ENSURE THAT NATIONAL BANK OF CUBA COMMISSION CHARGES ON SUCH TRANSFERS WILL BE MINIMAL.)
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VICE PRESIDENT, PRESIDENT, VISITS, NATIONALS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978HAVANA00079
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780018-1037
Format: TEL
From: HAVANA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780177/aaaacmwl.tel
Line Count: 162
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3a93eae4-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 HAVANA 32
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3795040
Secure: OPEN
Status: NATIVE
Subject: VISIT OF NATIONAL BANK OF CUBA VICE-PRESIDENT
TAGS: EFIN, ECON, CU, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3a93eae4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014